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Eric Thompson

University of Nebraska-Lincoln, ethompson2@unl.edu

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Nebraska Business and Consumer Confidence Indexes: February 3, 2017

Prepared by the UNL College of Business Administration, Bureau of Business Research

Author: Dr. Eric Thompson

Summary: Both business and consumer confidence improved in Nebraska in January 2017, but the gap between the two measures remained. The Consumer Confidence Index – Nebraska (CCI-N) stood at 89.2 during January, well below the neutral value of 100. The outlook of Nebraska businesses, by contrast, was positive. The Business Confidence Index – Nebraska (CCI-N) stood at 107.8 in January, well above the neutral value. Both values were somewhat higher than in December 2016. When asked about the most important issue facing their business, customer demand was mentioned by 30 percent of business respondents, labor availability and quality by 22 percent of respondents and government regulation by 11 percent. Households reported a variety of financial concerns with 30 percent reporting that their primary financial concerns relate to paying off debt or savings and 47 choosing the cost of living including health care costs, taxes, major expenses (furniture, appliances, automobiles or college tuition) and the general cost of living.

Consumer Confidence Index - Nebraska

The Consumer Confidence Index – Nebraska (CCI-N) summarizes responses to the *Survey of Nebraska Households* regarding the household financial situation and the environment for making a major household purchase. Respondents provide their assessment of both current conditions and expectations for the next 6 months. The *Survey of Nebraska Households* is sent to 500 households each month. The survey asks respondents: 1) whether their household is better off financially now than it was six months ago 2) whether they expect their household to be better off financially in six months, 3) whether they believe now is a good time to make a major household purchase (automobile, appliance, or electronics) and 4) whether they expect it will be a good time to make a major household purchase 6 months in the future. The survey also asks a fifth question “What is the most important financial issue facing your household today?” Individual responses to that question fall into eleven categories. In January, responses were received from 127 of the 500 surveyed households, for a 25 percent response rate.

The Consumer Confidence Index – Nebraska is estimated based on responses to the first four questions. For each question, the share of respondents indicating that they are worse off (or that it is a bad time to make a major household purchase) is subtracted from the percentage who indicate they are better off (or that it is a good time to make a purchase). The number 100

is added to the difference in percentages. A value of 100, therefore, indicates that households are neutral, since a value of 100 would only arise if the same share of households declare that they are better off as declare that they are worse off. A value above 100 indicates strong consumer confidence. A value below 100 indicates weak consumer confidence.

The Consumer Confidence Index – Nebraska is the average of the values for the four questions. Therefore, a value over 100 for the CCI-N indicates strong consumer confidence.

As seen in Table 1, the Consumer Confidence Index – Nebraska had a value of 89.2 in January 2017. This value is below 100 and indicates that consumer confidence is weak in Nebraska. The value of the index rose 1.0 points, from 88.2 in December. It will be interesting to see if the value of the index improves further as the new year progresses.

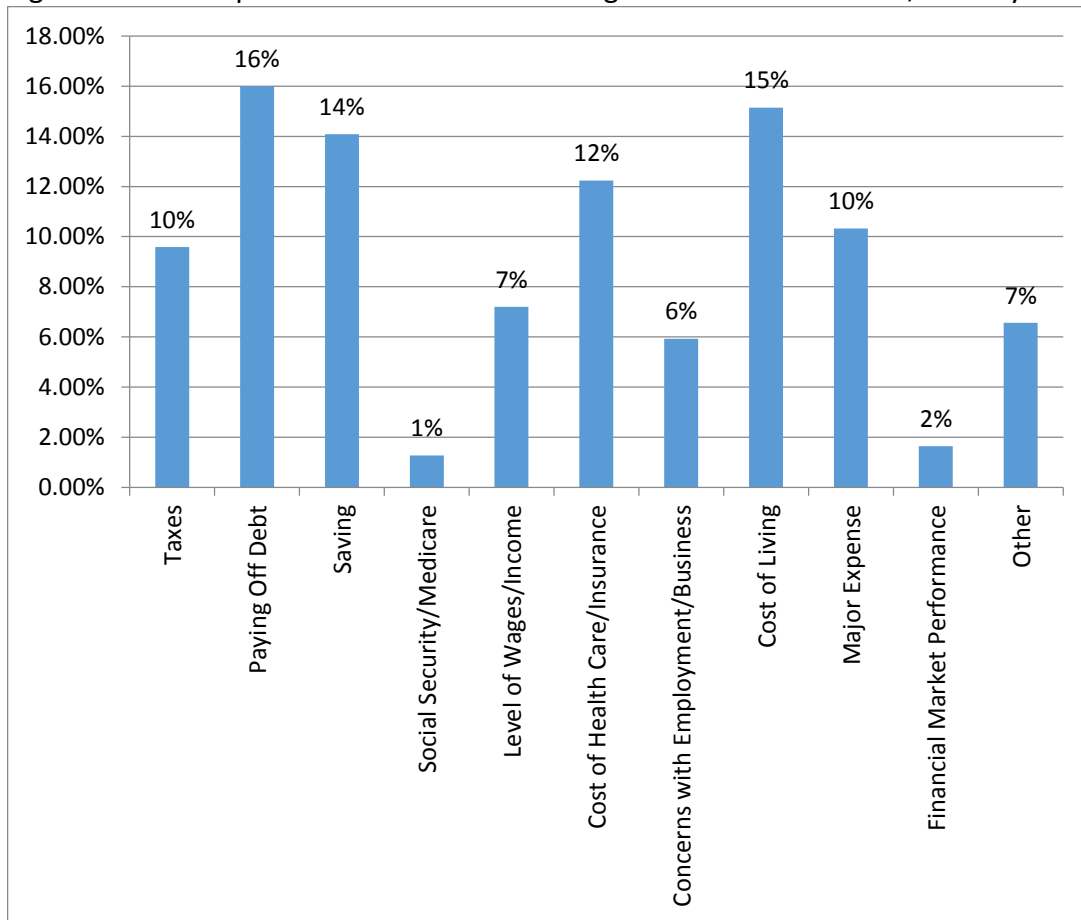
Table 1: Consumer Confidence Index - Nebraska, January 2017

Consumer Confidence Index – Nebraska	
Month	Index Value
January 2017	89.2
December 2016	88.2
Change from Previous Month	1.0

Source: Survey of Nebraska Households

Figure 1 shows household responses to the question about the most important financial issue they face. The most common issues raised in January responses were paying off debt (16 percent), the cost of living (15 percent) and saving (14 percent). Overall, 47 percent of respondents chose some type of cost factor as their top issue, whether the general cost of living, the cost of health care (12 percent), taxes (10 percent), or major expenses (10 percent). Three in ten respondents choose paying off debt or savings as their top issue. Among other responses, 7 percent chose their level of wages or income as their top concern and 6 percent choose concerns about their job or business, especially agricultural businesses. These shares are similar to those found in previous months although the share of respondents choosing paying off debt and savings was higher than in previous surveys.

Figure 1: Most Important Financial Issue Facing Nebraska Households, January 2017



Note: Percentages may not sum to 100% due to rounding
Source: Survey of Nebraska Households

Survey of Nebraska Business

The Business Confidence Index – Nebraska (BCI-N) summarizes responses to the *Survey of Nebraska Business* regarding business sales and employment. Respondents provide their assessment of both recent employment and sales growth and expectations for the next 6 months. The *Survey of Nebraska Business* is sent to 500 Nebraska business establishments each month. The survey asks respondents whether: 1) the dollar sales volume at their business was higher, lower, or about the same as it was over the previous 6 months 2) the dollar sales volume at their business will be higher, lower, or about the same over the next 6 months, 3) the total number of employees at their business increased, decreased or stayed the same over the last 6 months and 4) the total number of employees at your business will increase, decrease, or stay the same over the next 6 months. The survey also asks “What is the most important issue facing your business today?” Individual responses to that question fall into one dozen categories of business and public policy issues. Surveyed businesses are randomly selected from all industries, including agriculture. Businesses of all sizes are surveyed. In January, responses were received from 139 of the 500 surveyed businesses, for a 28 percent response rate.

The Business Confidence Index – Nebraska is estimated based on responses to the first four questions. For each question, the percentage of respondents who indicate that sales or employment decreased (or will decrease) is subtracted from the percentage who indicate that sales or employment increased (or will increase). The number 100 is added to the difference in percentages. A value of 100, therefore, indicates that businesses are neutral, since a value of 100 would only arise if the same percentage of businesses declare an increase as declare a decrease. A value above 100 indicates strong business confidence. A value below 100 indicates weak business confidence.

The Business Confidence Index – Nebraska is the average of the values for the four questions. Therefore, a value over 100 for the BCI-N indicates strong business confidence. Recent values for the Business Confidence Index – Nebraska are reported in Table 2.

Table 2: Business Confidence Index - Nebraska, January 2017

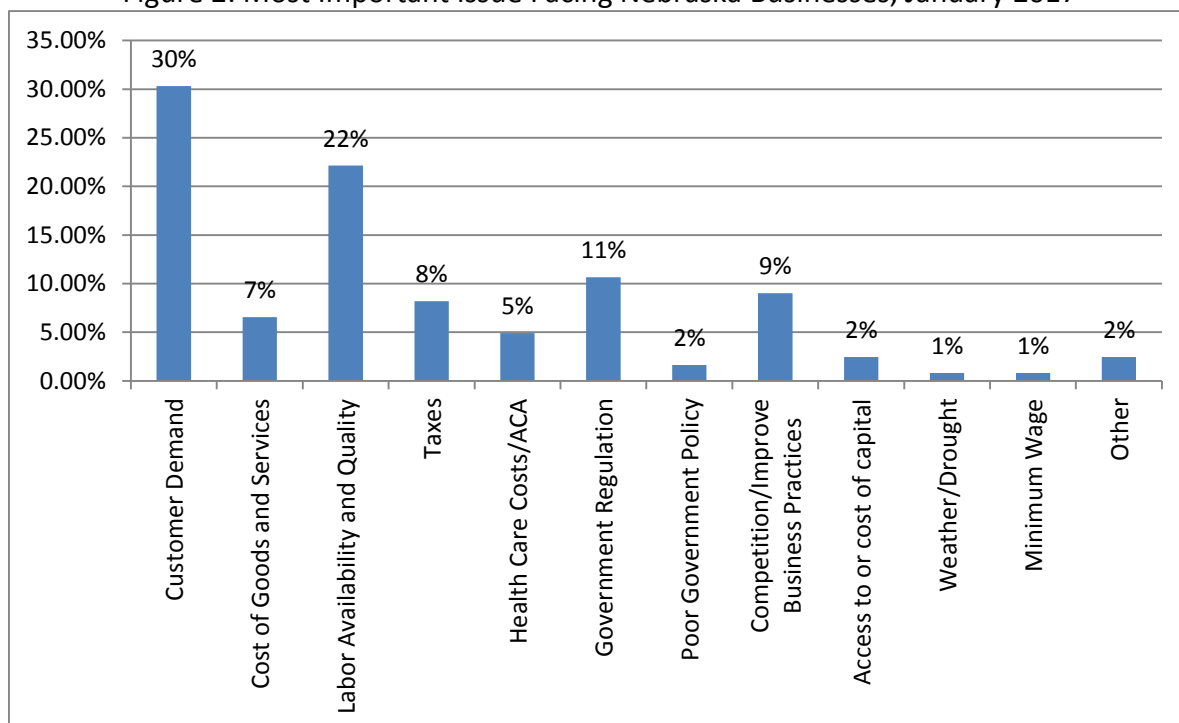
Business Confidence Index – Nebraska	
Month	Index Value
January 2017	107.8
December 2016	105.7
Change from Previous Month	2.1

Source: Survey of Nebraska Business

As seen in Table 2, the Business Confidence Index – Nebraska had a value of 107.8 in January 2017. This value is above 100 and indicates that business confidence is strong in Nebraska. The value of the index rose 2.1 points, from 105.7 in December 2016. Business confidence in Nebraska is strong and growing as of January.

Results in Figure 2 show the top concerns of business owners and managers responding to the January survey. Seven of ten responses were related to business operations issues such as customer demand for goods or services, labor availability and quality, competition or the cost and availability of capital. Customer demand was the most common top concern, named by 30 percent of respondents. The availability and quality of labor was chosen by 22 percent of respondents. Nine percent of respondents cited competition from other businesses or a need to improve business practices as their top concern while another 7 percent cited the cost of goods and services. These shares are similar to those found in the December 2016 survey. Government regulation was chosen by 11 percent of respondents while taxes were chosen by 8 percent.

Figure 2: Most Important Issue Facing Nebraska Businesses, January 2017



Note: Percentages may not sum to 100% due to rounding

Source: Survey of Nebraska Business